



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 4, 2007

### **H.R. 3882**

**A bill to amend title 38, United States Code, to change the length of the obligated period of service on active duty required for receiving certain education benefits administered by the Secretary of Veterans Affairs, and for other purposes**

*As ordered reported by the House Committee on Veterans' Affairs  
on November 7, 2007*

#### **SUMMARY**

H.R. 3882 would entitle current and former members of the selected reserve to receive Montgomery GI Bill (MGIB) education benefits based on 20 months of active-duty service rather than the current requirement of 24 months. CBO estimates that enacting H.R. 3882 would increase direct spending for veterans' education benefits by \$25 million over the 2008-2012 period and \$35 million over the 2008-2017 period.

H.R. 3882 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3882 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

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**ESTIMATED BUDGETARY IMPACT OF H.R. 3882**

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	By Fiscal Year, in Millions of Dollars									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>CHANGES IN DIRECT SPENDING</b>										
Estimated Budget Authority	7	6	5	4	3	2	2	2	2	2
Estimated Outlays	7	6	5	4	3	2	2	2	2	2

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**BASIS OF ESTIMATE**

Under MGIB, the Department of Veterans Affairs provides an education benefit to veterans and servicemembers who have completed an obligated period of service of at least three years. Members whose service obligation totals less than three years may qualify for a reduced benefit if they complete at least two years of service. Members of the selected reserve also may qualify for the two-year benefit by completing at least two years of continuous active-duty service. For active-duty service performed since September 10, 2001, H.R. 3882 would change the eligibility requirement for members of the selected reserve from two years of continuous active-duty service to 20 months of such service.

Both active duty and reserve members must pay \$1,200 before receiving MGIB benefits. Under the two-year MGIB program, veterans receive benefits for up to 36 months at a monthly rate of \$894 for full-time education, increased annually by a cost-of-living adjustment. (For part-time education, the monthly amount is reduced proportionately and can be spread over a larger number of months.) Members may increase their monthly benefit by as much as \$150 by making an additional one-time payment of up to \$600, for an enhanced monthly benefit of \$1,044. The MGIB benefit may be used for 10 years after members have separated from military service.

Based on information from the Department of Defense, CBO estimates that this provision would allow about 16,000 reservists or former reservists to begin receiving MGIB benefits immediately, with more qualifying each year. CBO estimates that about 5,000 of those would sign up for MGIB and that most of them would pay the additional \$600 to receive the enhanced monthly benefit.

Individuals who would benefit under this bill fall into two groups—those who remain in the reserves and those who have, or will, separate from the reserves before using the MGIB benefit.

Members of the selected reserve are eligible for a variety of education benefits. Those who have served at least one year of continuous active duty are eligible to receive a monthly benefit of \$661, increased annually by a cost-of-living adjustment. Reservists do not have the option of paying more for an enhanced benefit, but also do not pay the initial \$1,200 required for the MGIB benefit. Under the bill, reservists who would now qualify for the MGIB program could receive larger benefits, but would also have to make the initial payment of between \$1,200 and \$1,800. Thus, the increased cost under H.R. 3882 for reservists would equal the difference between the enhanced two-year MGIB benefit of \$1,044 a month and the \$661 reserve monthly benefit, less member payments averaging close to \$1,800 each. In addition, CBO expects that at the higher MGIB rate, more reservists would take advantage of the benefit, further increasing the cost of this provision.

The other group that would benefit if H.R. 3882 was enacted would be those who have left the reserves or will do so before using the MGIB benefit. Under current law, those former reservists are not eligible for an education benefit—the reserve education benefit does not generally continue after separation. The cost of providing MGIB benefits to those individuals would be the full monthly benefit of \$1044 minus the initial payment of about \$1,800.

Based on current and projected usage rates for the reserve education benefit for those with at least one year of active duty, CBO estimates that H.R. 3882 would increase the number of reservists using MGIB by 2,300 in 2008, gradually decreasing to 400 in 2017. Similarly, we estimate that under H.R. 3882, an additional 500 former reservists would use MGIB benefits in 2008, decreasing to about 100 in 2017. Based on those population numbers and the benefit rates discussed above, and assuming that the bill is enacted near the beginning of fiscal year 2008, CBO estimates that enacting H.R. 3882 would increase direct spending for veterans' education benefits by \$25 million over the 2008-2012 period and by \$35 million over the 2008-2017 period.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 3882 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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